



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108

JUL 13 2007

Honorable Richard Cheney
President of the Senate
U.S. Capitol Building, Room S-212
Washington, D.C. 20510-0012

Dear Mr. President:

The Secretary of the Army recommends authorization of the Site 1 Impoundment, Palm Beach County, Florida, ecosystem restoration project. The project is part of the Comprehensive Everglades Restoration Plan (CERP) approved by Section 601(b)(2)(C)(iii) of the Water Resources Development Act (WRDA) of 2000 subject to the requirements of Section 601(b)(2)(D) of the WRDA of 2000. The project would be a major step in the modification of the Central and Southern Florida (C&SF) project and would help restore, preserve, and protect the South Florida ecosystem, while providing for other water-related needs of the region. The project is described in the report of the Chief of Engineers, dated December 19, 2006, and the Project Implementation Report, dated April 2006 (revised August 2006), which contain other pertinent reports and documents. The views of the South Florida Water Management District (SFWMD), the State of Florida, the Department of the Interior (DOI), and the Environmental Protection Agency (EPA) are set forth in the enclosed report. The Secretary of the Army plans to implement the project, as modified herein, through the normal budget process at the appropriate time, considering national priorities, and the availability of funds.

To ensure that an effective environmental restoration plan was recommended, cost effectiveness and incremental cost analysis techniques were used to evaluate restoration plans. The recommended project would significantly contribute to two of the goals and objectives of the CERP – improving habitat and functional quality, and improving native plant and animal species abundance and diversity in remaining natural areas. The recommended plan would improve the ecological function of the Everglades by capturing and storing the excess surface water runoff from the Hillsboro Canal watershed and releases from the Loxahatchee National Wildlife Refuge (LNWR) and Lake Okeechobee. The project site is located on 1,800 acres of undeveloped land adjacent to the Hillsboro Canal in southern Palm Beach County. The project features a 1,660-acre, approximately eight-foot deep above-ground impoundment (to store up to 13,500 acre-feet of water), with an inflow pump station, discharge gated culvert, two spillways, and a seepage canal with associated structures. An additional gated culvert structure is designed to control stages in L-36 Borrow Canal and North Springs Improvement District discharges into the Hillsboro Canal. Recreational opportunities are also provided at two sites within the project footprint.



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Section 601 (b)(2)(C)(iii) of the WRDA 2000 initially authorized the Site 1 Impoundment Project at a total cost of \$38,535,000 (1999 price levels). Based on October 2006 price levels, the Army Corps of Engineers estimates the first cost of the project at about \$80,840,000, which includes \$313,000 for recreation. The current cost of \$80,840,000 is above the Section 902 of WRDA 1986 cost criteria and Congressional authorization is needed. The project cost increase is primarily due to increased requirements for dam safety. Following the cost sharing provisions of Section 601(e) of the WRDA of 2000, the Federal cost of the project would be about \$40,420,000 and the non-Federal cost would be approximately \$40,420,000. In accordance with Sections 601(e)(4) and 601(e)(5)(D), operation, maintenance, repair, rehabilitation, and replacement (OMRR&R) activities are a non-Federal responsibility and the costs for OMRR&R (\$785,000 annually) would be shared equally between the Federal Government and the non-Federal sponsor. The OMRR&R costs for recreation are estimated at \$5,000, which would be funded 100 percent by the non-Federal sponsor.

The estimated cost of lands, easements, rights-of-way, relocations, and disposal areas for the recommended plan is \$8,404,000. Project lands were acquired with a 50 percent Federal cost-share, which used funds appropriated by the Federal Agricultural Improvement Reform Act of 1996 (P.L. 104-127) (Federal Farm Bill). These funds were specifically designated for the acquisition of lands to restore the South Florida ecosystem.

The recommended plan would restore natural hydrologic conditions and vegetative communities for fish and wildlife, including several endangered species, within the adjacent 147,000 acre LNR. The project would also improve approximately 650 acres of habitat in the estuarine portion of the Hillsboro Canal and the adjacent Atlantic Intracoastal Waterway by improving the quality, quantity and timing of flows in the Hillsboro Canal. Hydrologic outputs are based on several parameters that measure the degree to which pre-development hydrologic conditions are restored. Biological outputs are based on several parameters that measure the improvement in habitat conditions for nekton (i.e.; fish, crab, and shrimp) and oysters. Based on the total first cost, the cost per acre improved by the project is about \$545. Overall, the project produces a net increase of about 14,840 average annual habitat units. The average annual cost per average annual habitat unit is about \$412.

While I support the overall plan in concept and believe that it would provide significant restoration, it is my assessment, based on an independent analysis by my policy and technical staff, that a modification to the project, its proposed authorization, and implementation is necessary. The current proposal calls for annual monitoring of the restoration project at a cost of \$350,000 (Oct 2006 price levels) over a 41-year period. I do not support the duration proposed for monitoring this project. A monitoring plan of some kind is needed to evaluate the effectiveness of the restoration plan. Therefore, I recommend annual monitoring of this restoration project at a cost of \$350,000 over a 5-year period once construction is complete. While long-term operational monitoring may be necessary to determine whether these objectives are being achieved and to support any necessary adaptive management, it should not be

pursued separately for this project or treated as an individual project cost. Instead, the long-term monitoring should be part of the adaptive management and science program for the CERP, which was established by the WRDA of 2000, Section 601(b)(C)(xi). This would allow a broader regional context to establish what modifications of this or other projects may be necessary.

I am also concerned that a separate long-term operational monitoring program for each element of the CERP could lead to overlapping efforts at exorbitant costs as future projects are authorized, built, and monitored. The monitoring of each project beyond the first five years needs to be folded into a single, overall monitoring program to ensure a consistent and cost-effective result.

The SFWMD would be the non-Federal project sponsor. In accordance with Sections 601(h)(4(A)(iii)(IV) and (V) of the WRDA of 2000, the SFWMD is responsible for reserving available water and additional water made available by the project that is necessary to achieve the restoration goals and objectives for the Site 1 Impoundment project. The report identifies existing and additional water that needs to be reserved or allocated for the natural system and identifies a portion of the existing legal source of water for other related water needs in the Hillsboro Canal basin from canal deliveries via the C&SF project to water stored in and delivered out of the Site 1 Impoundment. The water delivered from the impoundment would be of comparable (or better) water quality than that delivered via the Hillsboro Canal from Lake Okeechobee for water supply purposes. Section 601 (h)(5)(B) states that the Plan shall not reduce levels of service for flood protection that are in existence on the date of enactment of the WRDA of 2000 and in accordance with applicable law. The Project includes a seepage management system, consisting of a seepage canal and pump to ensure that adjacent lands are not adversely affected.

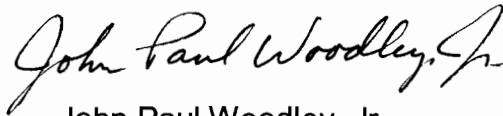
Section 601(e)(5)(B) of the WRDA of 2000 authorizes credit toward the non-Federal share for non-Federal design and construction work completed during the period of design or construction, subject to the execution of the design or project cooperation agreement, and subject to a determination by the Secretary that the work is integral to the project. The non-Federal sponsor has stated its intention to construct portions of this project, consistent with this report, in advance of Congressional Authorization and the signing of a project cooperation agreement. I find that this work is integral to the project and recommend that the SFWMD be authorized to receive credit for construction activities completed in advance of executing a project cooperation agreement for the Site 1 Impoundment Project. The actual amount of credit to be afforded is subject to audit and a determination that the work has been constructed in accordance with applicable Federal and State laws.

In summary, the modification to the Corps identified project consists of removing the separable long-term operational monitoring program and having the necessary monitoring included in the overall CERP monitoring program. Based on consideration of the project modification and Section 601(f)(2)(A), I find that the Site 1 Impoundment

Project is justified by the environmental benefits derived by the South Florida ecosystem; and no further economic justification for the activity is required.

The Office of Management and Budget (OMB) advises that there is no objection to the submission of the report to Congress, as modified by the Secretary. A copy of its letter is enclosed. I am providing a copy of this transmittal and the OMB letter dated June 22, 2007, to the Senate Subcommittees on Energy and Water, and Transportation and Infrastructure in accordance with the requirements of the Fiscal Year 2006 Energy and Water Development Appropriations Act (P.L. 109-103).

Very truly yours,

A handwritten signature in black ink that reads "John Paul Woodley, Jr." with a stylized flourish at the end.

John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

Enclosures



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JUL 13 2007

Honorable Nancy Pelosi
Speaker of the House
of Representatives
U.S. Capitol Building, Room H-232
Washington, D.C. 20515-0001

Dear Madam Speaker:

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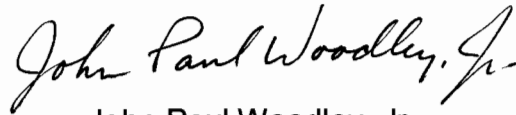
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John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

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